

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
December 31, 2013

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Independent Auditor's Report

June 30, 2014

To the Commissioners of the
Northshore Harbor Center District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Northshore Harbor Center District, Slidell, LA, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Northshore Harbor Center District, as of December 31, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of Northshore Harbor Center District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northshore Harbor Center District's internal control over financial reporting and compliance.

Hienz & Macaluso, LLC
Metairie, LA

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Northshore Harbor Center District's, (the District) annual financial report presents background information and management's analysis of the District's financial performance during the year that ended December 31, 2013. Please read it in conjunction with the financial statements in this report.

Financial Highlights

The assets of the District exceeded its liabilities by \$20,865,178. Net position increased \$2,120,471 from December 31, 2012.

During the year, the District's total operating revenues, which consists primarily of hotel occupancy taxes, ad valorem tax, facility rental fees and state appropriations, increased by \$374,599 from the prior year. Non-operating revenues, which consist primarily of ad valorem taxes restricted for bond repayment and interest income, increased \$286,263 from 12/31/2012.

The District had a decrease in operating expenses of \$96,913 from 12/31/2012 to 12/31/2013.

The District reduced the principal balance of its General Obligation Bonds by \$840,000 during the year.

Required Financial Statements

The Basic Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities.

The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources separately. The difference between assets plus deferred outflows and liabilities plus deferred inflows is net position. It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures improvements in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through ad valorem taxes, hotel occupancy taxes and other revenue sources.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

Financial Analysis of the District

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities. These two statements report the net position of the District and changes in them. Increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position

A Summary of the District's Statement of Net Position Sheet is presented in Table 1 below:

TABLE 1
Condensed Statements of Net Position
(In thousands)

	December 31 2013	December 31 2012	Dollar Change	Percentage Change
Total Current Assets	\$ 4,027	\$ 3,005	1,022	34.01%
Capital Assets	19,879	20,329	(450)	-2.21%
Other Assets, Including Restricted				
Cash and Investments	34	34	-	0.00%
Ad Valorem Receivable	1,761	1,107	654	59.08%
Investments	428	425	3	0.71%
Total Assets	\$ 26,129	\$ 24,900	\$ 1,229	\$ 4.94%
Current Liabilities	\$ 90	\$ 108	\$ (18)	\$ -16.67%
Long-Term Debt Outstanding and Other				
Liabilities Payable from Restricted Assets	5,173	6,047	(874)	-14.45%
Total Liabilities	5,263	6,155	(892)	-31.12%
Net Position				
Net Investment in Capital Assets	14,749	14,359	390	2.72%
Restricted	2,179	1,489	690	46.34%
Unrestricted	3,938	2,897	1,041	35.93%
Total Net Position	20,866	18,745	2,121	11.32%
Total Liabilities and Net Position	\$ 26,129	\$ 24,900	\$ 1,229	\$ 4.94%

As can be seen in Table 1, net position increased by \$2,120,471 to a total of \$20,865,178 in December 31, 2013. The change in total net position results primarily from the net decrease in bonds payable as well as an increase in operating revenues..

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Revenue, Expenses and Changes in Net Position

A Summary of the District's Statement of Revenue, Expenses, and Change in Net Position Sheet is presented in Table 2 below:

TABLE 2

Condensed Statements of Revenue, Expenses, and Changes in Net Position (In thousands)

	2013	2012
Operating Revenue		
Ad Valorem Taxes	\$ 2,109	\$ 1,676
Hotal Occupancy Taxes	298	312
Other General Revenues	507	552
Total Operating Revenue	<u>2,914</u>	<u>2,540</u>
Operating Expenses:		
Depreciation	638	665
Salaries and Benefits	611	600
Insurance	209	214
Utilities	142	112
Repairs & Maintenance	76	119
Advertising	72	69
Legal & Other Professional Services	29	61
Event Expense	9	45
Communication Expenses (Telephone, Internet, Etc.)	34	27
Accounting	14	15
Other Operating Expenses	74	78
Total Operating Expenses	<u>1,908</u>	<u>2,005</u>
Income (loss) from Operations	1,006	535
Non-operating Expenses	(156)	(295)
Non-operating Revenues	1,270	1,123
Total Non-Operating Revenues (net)	<u>1,114</u>	<u>828</u>
Income (loss) before contributions	2,120	1,363
Capital Contributions	-	102
Increase in Net Position	2,120	1,465
Net Position - Beginning of Year	<u>18,745</u>	<u>17,280</u>
Net Position - End of Year	<u>\$ 20,865</u>	<u>\$ 18,745</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sources of Revenue

Operating Revenue

Operating revenues consist primarily of ad valorem tax restricted for operations, hotel occupancy taxes collected within Wards 8 and 9 of St. Tammany Parish and Facility rental fees. Ad valorem taxes are assessed on properties located within Wards 8 and 9 and normally levied in November and billed to the property owner in December. St. Tammany Parish Sheriff's Office collects and remits the ad valorem taxes for the District. Ad valorem tax is levied at 5 mills, of which 3 mills is levied for operations. Hotel occupancy taxes have served as the primary operating revenue for the District since its inception. These taxes are remitted to the St. Tammany Parish Sheriff's Office, who serves as tax collector for St. Tammany Parish. The Sheriff then remits the funds collected to the District. The facility was in service during the current fiscal year with the District recording facility rental fees in the amount of \$247,376. The District is now aggressively marketing the multi-use facility.

Non-Operating Revenue

Non-operating revenues consist primarily of ad valorem taxes, restricted for bond repayment. Ad valorem taxes are assessed on properties located within Wards 8 and 9 of St. Tammany Parish and normally levied in November and billed to the property owner in December. St. Tammany Parish Sheriff's Office collects and remits the ad valorem taxes for the District. Ad valorem tax is levied at 5 mills, of which 2 mills is levied for bond repayment.

Operating and Financial Performance

The following summarizes the District's Statements of Revenue, Expenses and Changes in Net Position between December 31, 2012 and December 31, 2013:

Total operating revenues, derived from hotel occupancy taxes, ad valorem tax, facility rental fees and state appropriations, increased by \$374,599 from the prior year. Non-operating revenues, which consist primarily of ad valorem taxes restricted for bond repayment and interest income, increased \$286,263 from December 31, 2012. Ad valorem tax, in total, increased \$584,906, a 20.94% increase and operating revenue, excluding ad valorem tax, decreased \$59,097, or approximately 7% over the prior year.

Total operating expenses decreased by \$96,913, or 4.83%, over the prior year.

Non-Operating Revenues and Expenses

As discussed previously, non-operating revenues consist primarily of ad valorem taxes restricted for bond repayment. Other non-operating revenue consists of interest income, generated primarily from the District's investment of excess cash in the Louisiana Asset Management Pool (LAMP) and capital grant funds.

The District also recorded interest expense in the amount of \$154,902 for the year ended December 31, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 3
Capital Assets
(In thousands)

	2013	2012	Dollar Change	Percentage Change
Land	\$ 2,188	\$ 2,188	\$ -	\$ 0.00%
Construction-in-Progress	227	102	125	100.00%
Land Improvements	2,202	2,196	6	0.27%
Facility	19,095	19,095	-	0.00%
Facility Equipment	607	562	45	8.01%
Furniture & Fixtures	419	407	12	2.95%
Accumulated Depreciation	(4,859)	(4,221)	(638)	15.11%
Total Property, Plant, and Equipment	<u>\$ 19,879</u>	<u>20,329</u>	<u>(450)</u>	<u>(0)</u>

Total property, plant and equipment decreased by \$449,877 due to accumulated depreciation and additions. Additions included construction-in-progress for expenses related to constructing a marquee sign.

Depreciation expense has been recognized on capital assets in the amount of \$637,970 as of December 31, 2013.

Budget Variances

The board of commissioners for Northshore Harbor Center District approves an operating budget annually. Actual operating revenue exceeded budgeted amounts by \$890,824 and operating expense was under budgeted by \$390,044. The net income from operations was under budget by \$500,780.

Long-Term Debt

At December 31, 2013, the District had \$5,130,000 of General Obligations Bonds outstanding. The District made principal payments in the amount of \$840,000 during the year. More detailed information about the District's long-term debt is presented in the notes to basic financial statements.

Economic Factors and next year's budget

The District's management and Board of Commissioners continuously monitor the area's economic condition and factors impacting it. The District is actively marketing the multi-use facility to public and non-public organizations.

Contacting the District's Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Kathy Lowrey, General Manager, 985-781-3650.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF NET POSITION
DECEMBER 31, 2013

CURRENT ASSETS

Cash	\$ 515,430
Investments	3,292,621
Hotel occupancy tax receivable	24,204
Prepaid expenses	<u>194,613</u>
Total Current Assets	<u>4,026,868</u>

NONCURRENT ASSETS

RESTRICTED ASSETS

Cash - sinking fund	33,987
Investments	427,549
Ad valorem tax receivable	<u>1,761,211</u>
Total Restricted Assets	<u>2,222,747</u>

CAPITAL ASSETS

Land	2,188,430
Land improvements	2,201,801
Facility	19,095,261
Facility equipment	606,833
Furniture and fixtures	418,478
Construction-in-progress	227,129
Accumulated depreciation	<u>(4,858,916)</u>
Total Capital Assets	<u>19,879,016</u>
Total Noncurrent Assets	<u>22,101,763</u>
Total Assets	<u><u>\$ 26,128,631</u></u>

The accompanying notes are an integral part of these financial statements.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF NET POSITION
DECEMBER 31, 2013

CURRENT LIABILITIES

Accounts payable	\$ 42,802
Accrued liabilities	14,646
Facility deposits	<u>32,356</u>
 Total Current Liabilities	 <u>89,804</u>

NONCURRENT LIABILITIES

PAYABLE FROM RESTRICTED ASSETS

Accrued interest payable	43,649
Current portion of general obligations bonds payable	<u>865,000</u>
 Total Liabilities Payable from Restricted Assets	 <u>908,649</u>

LONG-TERM LIABILITIES

General obligation bonds payable	<u>4,265,000</u>
 Total Liabilities	 <u>5,263,453</u>

NET POSITION

Net investment in capital assets	14,749,016
Temporarily restricted net assets:	
Restricted for re-payment of bond issue and future construction costs	2,179,098
Unrestricted	<u>3,937,064</u>
 Total Net Position	 <u>\$ 20,865,178</u>

The accompanying notes are an integral part of these financial statements.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

OPERATING REVENUES

Ad valorem taxes	\$ 2,109,438
Hotel occupancy taxes	298,203
Facilities rental	247,376
State appropriations	215,555
Other income	43,602
Total Operating Revenues	<u>2,914,174</u>

OPERATING EXPENSES

Depreciation	637,970
Salaries and wages	475,880
Insurance	208,534
Repairs and maintenance	75,839
Utilities	142,149
Employee insurance	83,401
Advertising	72,211
Legal and other professional services	29,277
Event expense	9,423
Payroll tax	39,200
Communication	34,157
Accounting	14,390
Office supplies	12,462
Contingent expense	28,467
Retirement	6,619
Auto	6,300
Dues and subscriptions	12,219
Miscellaneous	2,438
Training and conferences	6,085
Bank service fees	4,553
Contract labor	1,331
Travel	4,811
Postage	654
Total Operating Expenses	<u>1,908,370</u>

INCOME (LOSS) FROM OPERATIONS

1,005,804

The accompanying notes are an integral part of these financial statements.

**NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013**

NON-OPERATING REVENUES (EXPENSES)	
Ad valorem taxes	1,268,077
Interest income	2,499
Interest expense	(154,902)
Bond issuance expense	<u>(1,007)</u>
Total Non-Operating Revenues, net	<u>1,114,667</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>2,120,471</u>
Capital Contributions	<u>-</u>
INCREASE IN NET POSITION	2,120,471
NET POSITION - BEGINNING OF PERIOD	<u>18,744,707</u>
NET POSITION - END OF PERIOD	<u><u>\$ 20,865,178</u></u>

The accompanying notes are an integral part of these financial statements.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from ad valorem taxes	\$ 2,109,438
Cash received from hotel occupancy taxes	298,638
Cash received from general revenues	255,490
Cash received from state revenue sharing and appropriations	215,555
Cash paid for salaries and related benefits	(609,545)
Cash payments for operating expenses and administrative expenses	<u>(582,265)</u>
Net Cash Provided by Operating Activities	<u>1,687,311</u>

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES:

Cash received from ad valorem taxes	613,694
Cash received from capital contributions	101,960
Cash received from interest	570
Principal payments on bonds payable	(840,000)
Proceeds on bonds issuance	-
Payments for bond interest costs	(189,787)
Payments for purchases of furniture, fixtures and equipment	<u>(188,093)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(501,656)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investment securities	(2,148,897)
Proceeds from investment securities	<u>1,121,358</u>
Net Cash Used by Investing Activities	<u>(1,027,539)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 158,116

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 391,301

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 549,417

The accompanying notes are an integral part of these financial statements.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

**RECONCILIATION OF LOSS FROM OPERATIONS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 1,005,804
Adjustments to reconcile income from operations to net cash used by operating activities	
Depreciation expense	637,970
(Decrease) in hotel occupancy tax receivable	435
(Decrease) in prepaid expenses	61,051
(Decrease) in accrued liabilities and facility rental deposits	<u>(17,949)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,687,311</u></u>

**RECONCILIATION OF TOTAL CASH AND CASH
EQUIVALENTS**

Current assets	\$ 515,430
Restricted assets	<u>33,987</u>
Total Cash and Cash Equivalents	<u><u>\$ 549,417</u></u>

NONCASH INVESTING AND FINANCING ACTIVITIES

Interest earned and re-invested in LAMP accounts	<u><u>\$ 1,929</u></u>
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CASH PAID FOR INTEREST

	<u><u>\$ 154,902</u></u>
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The accompanying notes are an integral part of these financial statements.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”. The implementation of this statement has created additional statements, schedules, reports, and note disclosures as follows:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the overall financial position and results of operations.
- Financial Statements are prepared using the full accrual accounting method for all activities.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Northshore Harbor Center District (the District) implemented the Statement as of July 1, 2003. The District’s significant accounting policies are explained in the following note disclosures:

BASIS OF PRESENTATION

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

BASIS OF ACCOUNTING

The District utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Revenues are recorded when they are earned, and expenses are recorded at the time liabilities are incurred. Substantially all revenues and expenses are subject to accrual.

REPORTING ENTITY

The District was created by Act 685 of the 1986 Regular Session of the Louisiana Legislature. However, the District did not become active until December 1997. As such, the date of December 1, 1997 has been utilized as the inception date.

The District consists of the entire area within Wards 8 and 9 of St. Tammany Parish, and is generally authorized to acquire, construct, develop, maintain and operate an Events Center and the programs and events undertaken therein.

The control and management of the affairs of the District are vested in a Board of Commissioners (the Board). The Board consists of 14 members, all of whom must be qualified voters of Wards 8 and 9 of St. Tammany Parish, except for the executive director of the St. Tammany Parish Tourist and Convention Commission. The Board is appointed by the following entities and individuals:

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Entity/Individual</u>	<u>Number of Appointments</u>
Mayor of the City of Slidell	1
City Council of the City of Slidell	3
Board of Alderman of the Town of Pearl River	1
St. Tammany Parish Government	2
Greater Slidell Area Chamber of Commerce, Inc.	1
State Representative for District 90	1
State Representative for District 76	1
State Representative for District 74	1
State Senator for District 11	1
State Senator for District 1	1

No elected public official is eligible for appointment to the Board, and members of the Board serve without compensation.

CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

INVESTMENTS

Investments include the District's investment in United States Treasury bills and notes and its investment balance with the Louisiana Asset Management Pool, Inc. (LAMP), a State sponsored external investment pool.

Under Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, issued by the Governmental Accounting Standards Board, United States Treasury obligations with a remaining maturity at time of purchase of one year or less may be reported at amortized cost. As such, the District's investment in United States Treasury bills and notes are stated at amortized cost since these investments have maturities of less than one year.

BOND ISSUANCE COSTS

The Northshore Harbor Center District has implemented GASB 65, *Items Previously Reported as Assets and Liabilities*, which states that debt issuance costs should be recognized as an expense in the period incurred. As of December 31, 2013, Northshore Harbor Center District reported bond issuance costs as a non-operating expense in the Statement of Revenues, Expenses, and Changes in Net Position.

CAPITAL ASSETS

Property, plant, and equipment are recorded at cost or, if contributed property, at their fair market value at the time of the contribution. The District's policy is to capitalize assets purchased in the amount \$1,000 or more. These assets are depreciated over their useful lives, which are three to seven years for furniture, fixtures and facility equipment and forty years for the facility building. Depreciation expense for the year ended December 31, 2013 was \$637,970.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

AD VALOREM TAXES

Ad Valorem taxes are normally levied in November and billed in December. These taxes are due in January of the following year. The St. Tammany Parish Sheriff's Department bills and collects the Ad Valorem taxes for the District.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NET POSITION

Net position is comprised of the various net earnings from operations, non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components:

Net investment in capital assets – Consists of all capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of external constraints placed on net position used by creditors, grantors, contributors, or laws or regulations of the government or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – Consists of all other assets that are not included in the other categories previously mentioned.

The government's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

RESTRICTED ASSETS

Restricted assets, as presented in the financial statements, represent an accumulation of funds from bond proceeds, ad-valorem taxes received and investment earnings that is restricted for re-payment of the bond issue or future construction costs.

OPERATING REVENUES

The District identifies operating revenues primarily as those revenues received from ad valorem taxes restricted for operations, hotel occupancy taxes and facilities rentals. These revenues are available to pay the general operating expenses of the District.

NON-OPERATING REVENUES

The District identifies non-operating revenues primarily as those revenues received from ad valorem taxes restricted for bond repayment and interest income. These revenues are not derived from the District's core operating activities or available to pay general operating expenses.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 – CASH AND CASH EQUIVALENTS

At December 31, 2013, the District has cash and cash equivalents (book balances) totaling \$549,417 as follows:

Escrow	\$ 235,000
Demand Deposits	\$ 280,430
Interest-Bearing Demand Deposits	<u>33,987</u>
 Total Deposits	 <u>\$ 549,417</u>

At December 31, 2013, the bank balance of deposits with financial institutions totaled \$631,954. This balance is entirely insured and collateralized by securities held by the District's agent in the District's name.

NOTE 3 – INVESTMENTS

All securities held at December 31, 2013 are held in the trust department of a custodial bank selected by the District.

At December 31, 2013, the District's investments, as referenced in Note1, are comprised of:

Government Pool:

LAMP – Unrestricted	\$ 3,292,621
LAMP – Restricted	<u>427,549</u>
 Total Investments	 <u>\$ 3,720,170</u>

Government Pool investments as of December 31, 2013 are invested in LAMP, a local government investment pool, and are stated at fair value. The investment in LAMP at December 31, 2013, has a credit rating of AAAM by Standard & Poors. LAMP is administered by LAMP, Inc., which is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana Certified Public Accountants. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments.

The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4 – BONDS PAYABLE

On August 1, 2004 the District issued \$ 5,000,000 of General Obligation Bonds, Series 2004, due between March 1, 2005 and March 1, 2024. The proceeds of the bonds are being used to complete the construction of phase one of the Events Center and to construct the kitchen at the Events Center. During 2012, those bonds maturing March 1, 2015 and thereafter were called for redemption. Outstanding bonds in the amount of \$2,930,000 were refunded.

Interest ranging from 3.75% to 5%, is payable semi-annually on March 1 and September 1 of each year through 2024.

On May 27, 2010, the District issued \$ 4,540,000 of General Obligation Refunding Bonds, Series 2010, due between March 1, 2011 and March 1, 2018. The proceeds of the bonds are being used to refund the outstanding Series 1999 General Obligation Bonds and paying the costs of issuance of the 2010 bonds. The 1999 Bonds were used for the construction of the Events Center and had interest rates ranging from 4% to 7%, payable semiannually through 2019.

Interest ranging from 2.00% to 3.25%, is payable semi-annually on March 1 and September 1 of each year through 2018.

On December 21, 2012 the District issued \$2,135,000 of General Obligation Refunding Bonds, Series 2012, due between March 1, 2015 and March 1, 2024. The proceeds of the bonds are being used to refund the outstanding Series 2004 General Obligation Bonds for bonds maturing March 1, 2014 and thereafter and paying the costs of issuance of the 2012 bonds.

Interest at 2.16%, is payable semi-annually on March 1 and September 1 of each year through 2024.

A summary of changes in long-term liabilities follows:

	<u>December 31, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2013</u>	<u>Amounts due within one year</u>
Bonds Payable \$	5,970,000	\$ -	\$ (840,000)	\$ 5,130,000	\$ 865,000
	<u>5,970,000</u>	<u>-</u>	<u>(840,000)</u>	<u>5,130,000</u>	<u>865,000</u>

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4 – BONDS PAYABLE (Continued)

Scheduled debt service payments, including interest, on Bonds (Series 2004) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	235,000	152,375	387,375
	<u>235,000</u>	<u>152,375</u>	<u>387,375</u>

Scheduled debt service payments, including interest, on Bonds (Series 2010) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	625,000	69,288	694,288
2015	645,000	54,975	699,975
2016	670,000	36,863	706,863
2017	700,000	15,438	715,438
2018	125,000	2,031	127,031
	<u>2,765,000</u>	<u>178,595</u>	<u>2,943,595</u>

Scheduled debt service payments, including interest, on Bonds (Series 2012) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	5,000	45,954	50,954
2015	190,000	43,848	233,848
2016	200,000	39,636	239,636
2017	205,000	35,262	240,262
2018	215,000	30,726	245,726
2019-2023	1,090,000	83,376	1,173,376
2024	225,000	2,430	227,430
	<u>2,130,000</u>	<u>281,232</u>	<u>2,411,232</u>

Total debt service requirements including interest on the Series 2004 bonds, the Series 2010 bonds, and the Series 2012 bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	865,000	267,617	1,132,617
2015	835,000	98,823	933,823
2016	870,000	76,499	946,499
2017	905,000	50,700	955,700
2018	340,000	32,757	372,757
2019-2023	1,090,000	83,376	1,173,376
2024	225,000	2,430	227,430
	<u>5,130,000</u>	<u>612,202</u>	<u>5,742,202</u>

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4 – BONDS PAYABLE (Continued)

In July of 2013 the board levied 5 mills for the 2013 fiscal year, of which 2 mills is levied for bonds and 3 mills for operations.

In accordance with the Bond Agreements, the District has established a separate cash account (the Sinking Fund) into which the District deposits the proceeds from the collections of the Ad Valorem tax. Funds are transferred from the Sinking Fund to the paying agent for the payment of principal and interest. In accordance with the Revised Statutes of the State of Louisiana, aggregate debt payable solely from ad valorem taxes shall not exceed 10% of the total assessed valuation of taxable property. As of December 31, 2013, the District was in compliance with these statutes.

NOTE 5 – RISK OF LOSS

The District is exposed to various risks of loss related to damage and destruction of assets, and errors and omissions of the Board. Commercial insurance has been obtained to cover these risks.

NOTE 6 – DEFERRED COMPENSATION PLAN

During 2004 the District adopted a deferred compensation plan for its employees. The plan follows Internal Revenue Service Code Section 457 (b) and is a defined contribution plan. The effective date of the plan is April 1, 2003. Participants may contribute through salary reduction up to the maximum allowed by the Internal Revenue Code. Employer contributions are permitted under the plan up to a 4% match of the participant's salary at the employer's discretion. Participants are immediately vested in employee and employer contributions. Retirement expense for the year ended December 31, 2013 was \$6,619.

NOTE 7 – CAPITAL ASSETS

The District's capital assets are listed below:

	December 31, 2012	Additions	Deletions	December 31, 2013
Capital assets not depreciated:				
Land	\$ 2,188,430	\$ -	\$ -	\$ 2,188,430
Construction-in-progress	101,960	125,169	-	227,129
Total capital assets not depreciated	2,290,390	125,169	-	2,415,559
Other capital assets:				
Land improvements	2,195,789	6,012	-	2,201,801
Facility	19,095,261	-	-	19,095,261
Furniture and fixtures	407,073	11,405	-	418,478
Facility equipment	561,326	45,507	-	606,833
Accum depreciation	(4,220,946)	(637,970)	-	(4,858,916)
	18,038,503	(575,046)	-	17,463,457
	<u>\$ 20,328,893</u>	<u>\$ (449,877)</u>	<u>\$ -</u>	<u>\$ 19,879,016</u>

Furniture and fixtures were placed in service during the year. Depreciation expense has been recorded in the amount of \$637,970 as of December 31, 2013 by the District.

NORTHSHORE HARBOR CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 8 – TEMPORARILY RESTRICTED NET POSITION

The District's temporarily restricted net position represent an accumulation of funds from bond proceeds, ad-valorem taxes received and investment earnings less related liabilities that is restricted for re-payment of the bond issue or future construction costs.

NOTE 9 – LEASE AGREEMENT

The District has one operating lease for a copy machine. The lease was renewed on April 8, 2009 and has a 60 month term with a purchase option at the end of the term. Payments under the lease are \$ 329.37 per month. Total lease expense for the year ending December 31, 2013 was \$3,952.

Future minimum payments under this lease are as follows:

<u>Fiscal Year End</u>	<u>Lease Commitment</u>
December 31, 2014	<u>\$ 988</u>
Total	<u>\$ 988</u>

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2014.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

June 30, 2014

To the Commissioners of the
Northshore Harbor Center District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Northshore Harbor Center District, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Northshore Harbor Center District's basic financial statements, and have issued our report thereon dated June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northshore Harbor Center District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northshore Harbor Center District's internal control. Accordingly, we do not express an opinion on the effectiveness of Northshore Harbor Center District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northshore Harbor Center District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hienz & Macaluso, LLC
Metairie, LA

**NORTHSHORE HARBOR CENTER DISTRICT
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Section I – Summary of Auditor’s Results:

1. The auditor’s report expresses an unqualified opinion on the financial statements of the Northshore Harbor Center District.
2. No control deficiencies were disclosed during the audit of the financial statements of the Northshore Harbor Center District.
3. No instances of noncompliance material to the financial statements of the Northshore Harbor Center District were disclosed during the audit.

Section II – Financial Statement Findings:

There were no financial statement findings for the year ended December 31, 2013.

Section III – Federal Award Findings and Questioned Costs:

Not applicable.

Section IV – Management Letter:

A management letter was not issued in connection with the audit for the year ended December 31, 2013.

**NORTHSHORE HARBOR CENTER DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Section I – Financial Statement Findings:

Not applicable.

Section II – Federal Award Findings and Questioned Costs:

Not applicable.

Section III – Management Letter:

A management letter was not issued in connection with the audit for the year ended December 31, 2012.

**NORTHSHORE HARBOR CENTER DISTRICT
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2013**

Section I – Internal Control and Compliance Material to the Financial Statements:

There were no current year findings.

Section II – Internal Control and Compliance Material to Federal Awards:

Not applicable.

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended December 31, 2013.